

LOUISIANA AGRICULTURAL FINANCE AUTHORITY (LAFA)

MINUTES

April 16, 2009

10:00 A.M.

Veterans Memorial Auditorium

5825 Florida Boulevard

Baton Rouge, LA 70806

CALL TO ORDER

The meeting was called to order by Commissioner Strain at 10: 22 a.m.

ROLL CALL

The roll was called by Randy Rogers.

Members present: Commissioner Mike Strain, Robert Allain, Ted Gauthier, Brian Graugnard, William Hawkins, Richard Muller and Marcell Parker.

Members absent: Jerry Hunter and Linda Zaunbrecher.

Commissioner Strain declared a quorum.

Others present: Melanie Barnett, LDAF; Fred Bass, LDAF; Corinne Brousseau, LDAF; Dr. Carrie Castille, LDAF; Mary Gallant, LDAF; Tabitha Gray, LDAF Counsel; Wayne Guilbeau, LDAF; Roy Johnson, LDAF; Jamie Mabile, OED; Faith Marionneaux, LDAF; Pete Rudesill, LDAF; Dr. Brent Robbins, LDAF; Randy Rogers, LDAF; Hilary Stephenson, LDAF; Kris Van Orsdel, Jamie Mabile, Randal Johnson, Daniel Lichtl and Alejandro Santacoloma with Lake Charles-Cane, LLC.

APPROVAL OF THE MINUTES

Commissioner Strain asked the members of the board to look over the minutes from the November 14, 2008 meeting for their approval. With the permission of the Chairman, Mr. Muller pointed out that there were no bylaws prescribing the duties of the secretary with respect to the preparation and responsibility for the accuracy of the minutes. Presently, the Authority's staff prepares the minutes for presentation to the Authority for approval. Mr. Muller suggested that the procedure be modified to permit the secretary elected by the Authority the opportunity to review and revise the minutes prepared by the staff and present the final draft of minutes to the Authority under his/her signature.

Motion: A motion was made by Mr. Muller, seconded by Mr. Parker, and unanimously carried that the procedure for preparation of the Authority's minutes be modified as suggested above.

Motion: A motion was made by Mr. Allain to approve the minutes from the November 14, 2008 board meeting. It was seconded by Mr. Gauthier and passed unanimously.

COMMISSIONER'S REPORT

The Commissioner briefly touched on several subjects that are important to the LDAF. The Farm Loan Recovery Program is very important and Kris Van Orsdel is here to talk about this program. This program is being pushed by the Governor and through the Louisiana Recovery Act (LRA) we have been able to obtain Fifty Four Million Dollars (\$54,000,000.00). This is the first time in history that the LDAF will be able to utilize that amount of money for agriculture purposes. We are very excited about this program. Also, there will be budget cuts for our Department as well as in all State Departments. Our Department has been cut by Eight Million Dollars (\$8,000,000.00) which includes one hundred thirteen (113) positions; we have consolidated programs and sold off movable equipment not being used. We are now looking at all properties to make further determinations. For next year, the proposed budget reduces our Thirty Two Million Dollar (\$32,000,000.00) general allocation down to Fifteen Million Dollars (\$15,000,000.00) when all is said and done. We are currently working with the legislature to help us pay off some of our bonds to lower our debt. We will talk further on that subject later in this meeting. We are trying to avoid elimination of people that are currently employed.

OLD BUSINESS

There was none.

NEW BUSINESS

Review and Discuss LAFA Financials

Mid-Year Balance Sheet

Mr. Rogers distributed to the Members a financial statement that had been prepared by staff comparing actual income and expenses to the amounts budgeted for the fiscal year ending June 30, 2009. He advised that this budget is mainly based on rental income. For the third quarter, LAFA has \$200,000 more than projected because some rent had been paid ahead of the time required by the lease, and there had been a one-time sale of equipment.

Mr. Muller inquired about a \$489,718 charge/payment to Lacassine as to whether this was a one time charge or reoccurring. Mr. Rogers explained that while completing the facilities at Lacassine, the department double-billed Lacassine for some equipment. The department was doing the work, buying the final equipment and billing Lacassine. This is a one time payment. Commissioner Strain explained that this double-billing was discovered by the Legislative Auditor and was brought to his attention by the auditor. The \$489,718 payment was made to correct this finding. Commissioner Strain emphasized that the Department was in the process of correcting the other findings noted in the audit report for the fiscal year ended 2007.

Mr. Muller asked whether the financial report had been prepared strictly on a cash flow basis. Mr. Rogers assured him it was strictly cash flow.

Mr. Muller asked whether it would be in order at this time to formally accept the budget for the fiscal year ending June 30, 2009, as presented, because not having a budget adopted by the Authority was one of the findings noted in the audit. After a discussion, the Commissioner requested that Mr. Muller make a motion to adopt the 2009 fiscal year budget.

Motion: A motion was made by Mr. Muller to adopt the budget, as presented, for the fiscal year ending June 30, 2009. It was seconded by Mr. Allain and passed unanimously.

Retiring Existing Bonds

The Commissioner reiterated his concern over the amount of money owed by LAFA for various debt obligations. A schedule of outstanding bond issues, together with a projection of debt service obligations, was presented by the Commissioner for review and discussion. Commissioner Strain advised that he has been in discussions with the Governor and his staff regarding the effect of this heavy debt burden. It impedes LAFA's ability to render services to agriculture in accordance with its mandate. In order to reduce the principal amount of the debt, and thereby reduce annual debt service payments, he has proposed to the Governor and his staff allocating that surplus monies or other funds be allocated to LAFA for the purpose of paying down part of LAFA's bonded indebtedness. If his recommendation is accepted by the Governor, \$12,000,000 to \$14,000,000.00 a year in cash flow would be freed up by as early as 2012. With this objective in mind, Commissioner Strain requested a formal show of support for this plan from the Authority.

Motion: Upon motion by Mr. Graugnard, seconded by Mr. Gauthier, and unanimously carried, it was resolved that Commissioner Strain's plan for early retirement of LAFA bonds with State surplus funds, or from other State sources be and the same is hereby approved. It was further resolved that the Governor's office be furnished with a certified copy of this resolution, together with a written request that the Governor favorably consider implementation of Commissioner Strain's plan.

Discussion and Consideration of Emergency Rules to Establish a Direct Loan Program to Louisiana Ag Producers and Agri-Business.

Kris Van Orsdel explained in detail the Louisiana Farm & Agribusiness Recovery Grant and Loan Program. The Program is part of the Louisiana Recovery Authority's (LRA) 2008 Hurricane Gustav and Hurricane Ike recovery programs funded by the U.S. Department of Housing and Urban Development (HUD) using Community Development Block Grant (CDBG) funds. He believes that the best way to get Program monies to the farming community is by having the Program administered by LAFA. This Program is a long term commitment of Commissioner Strain. The Program will be managed by the Louisiana Department of Agriculture and Forestry (LDAF) through LAFA. All 64 parishes will be eligible to participate in the program. Considerable outreach to farming

communities is being planned. Training sessions are being held at the regional offices for those representatives who will be helping to assist farmers and agri-businesses with the applications in the field. All monies for these loans are coming from the Federal Government. The CDBG will also fund administrative expenses, including salaries, supplies, software, and any other costs associated with the program

The Farm Loan and Grant Program requires that a farmer have at least a \$10,000 in sales in 2006 or 2007 to be considered. Once the farmer meets all eligibility requirements and loan/grant is awarded, he will repay 80% of the amount and the remaining 20% becomes a grant. The agribusiness loans are 100% loans with no grant attached.

The Members asked several questions as to eligibility for the program, getting the word out to farmers and agri-businesses, and what happens if the borrower does not pay back the loan. A question also came up about whether Members could apply for the loan through the Program. Commissioner Strain expressed his understanding that all members of the legislature are allowed by law to participate in public programs. Mr. Montgomery added that it is his understanding that as long as a Member does not get a special benefit that is not available to the public as a whole, a Member is eligible to participate in a publicly sponsored program. The Commissioner asked if the Members would like to formally request an ethics opinion. After a discussion, the Members concluded that such a request was unnecessary given the opinion of the Authority's legal counsel that the Members of the board could participate in a public program, provided that Members receive no special consideration or benefit. Mr. Van Orsdel offered his observation that there are a lot of questions that have not yet been raised or addressed in the context of this Program, but that in time, they will be.

Mr. Van Orsdel asked the Authority to consider adopting emergency rules for the Program, a copy of which had been forwarded to the Members in advance of the meeting. He further requested that LAFA work quickly towards developing and implementing final rules for the Program.

Motion: A motion was made by Mr. Graugnard and seconded by Mr. Parker to adopt the emergency rules and to continue to move forward with the FRGL Program. It was approved unanimously.

Mr. Montgomery advised the Members that it will take approximately six months to formulate and adopt final rules. He suggested to the Members that they consider granting Commissioner Strain all necessary power and authority to develop the final rules for the Program and start the process of making the rules permanent. He added that in order to timely implement the Program, LAFA will be expected to act quickly. The Members acknowledged the request from Mr. Van Orsdel and the advice of legal counsel, but noted that no final rules should be put into effect until such time as a draft has been sent to the Members for their review and approval.

Motion: Upon motion by Mr. Hawkins, seconded by Mr. Gauthier, and unanimously carried, it was resolved that Commissioner Strain be granted the power and authority ,

and directed to act as necessary to develop the final rules for the Program, and to begin the process of making the final rules permanent. It was further resolved that a draft of the final rules be sent to the Members for their review and approval prior to implementation.

Lafa Equipment

This is actually a request for ratification of the sale of surplus equipment that was sold at public auction. This was the last of the equipment previously identified by staff and classified as surplus.

Commissioner Strain commented that this would probably be the last major sale that LAFA will have. All of the major items that were no longer needed have been sold. Mr. Muller asked if there were any particular procedures that we had to follow as directed by Public Bid Law. The Commissioner stated that there are two procedures. We can either sell the items by public bid which would give us the best price and the proceeds go to LAFA or go through the Division of Administration where only 10% comes back to LAFA. The Department of Agriculture and Forestry must go through the Division of Administration.

Motion: A motion to ratify the sale of the surplus equipment was made by Mr. Parker and was seconded Mr. Gauthier. It was passed unanimously.

Building Projects

Natchitoches Update: Mr. Rudesill commented that we are in possession of the plans and we are now in the process of bidding it out. Mr. Muller inquired as to whether the Authority needed to approve the plans pursuant to Public Bid Law. Mr. Montgomery, the Authority's legal counsel, stated that the Authority does not have to approve the plans; it only authorizes the construction of the building, which was done at an earlier meeting. Commissioner Strain mentioned that this facility is being built on 8 acres of land that was purchased for Eight Dollars (\$8.00) next to Pilgrims' Pride. Mr. Rudesill stated that the original plans were adjusted to cut out wasted space, turning eight (8) offices into thirteen (13). LAFA will follow Public Bid Law to make sure that the selection of a contractor will be done properly. Commissioner Strain commented that the office building currently being used by the Department is owned by Northwestern State University, but our lease has expired and they want us out of the building. The building we are using now is beyond deplorable. You can actually see the sky through the ceiling.

Opelousas- We are in the process of negotiating a price to buy the old Kroger building and have the inside renovated to suit our needs. It will be a turn key operation. We will purchase the building when it is complete.

Mr. Parker asked for some background information and what would be housed at the facility. Mr. Rudesill responded that the size of the building is approximately 48,000 square feet. Of this footage, 10,000 square feet will be leased by the City of Opelousas, 11,000 feet by the Ag Department, and both DEQ and USDA have shown interest in leasing approximately 11,000 square feet. The remaining space would be used for warehouse rental.

LEASES

USDA/APHIS Lease Ratification

After our last meeting, we realized that this lease was about to expire and USDA/APHIS was certainly interested in renewing their lease with LAFA. Mr. Rogers briefly went over the lease. He stated that it is the same information that he went over with each of the Members on the phone. He requested that the Authority ratify the lease.

Mr. Muller stated that the lease for USDA/APHIS was analyzed by the Federal Government, in accordance with its procedures, to determine, among other things, the cost for LAFA to maintain the leased premises. According to its calculation, LAFA's cost to maintain the leased premises exceeds the rental income derived. Mr. Rogers assured him that while LAFA is trying to make money from leasing building space and warehouses, we do try to give these agencies a break and try to work with them as they do the same with us. He also stated that it may appear that we are not making money from the lease, but we are certainly not losing money. Commissioner Strain stated that while we are in the business of making money on these leases, we also try to be fair and help other government entities when we can. Therefore; when we are in need of the same, such as the lease we have for our New Orleans Office with USDA, they would in turn show us the same courtesy.

Motion: A Motion was made to ratify the USDA/APHIS lease by Mr. Graugnard and was seconded by Mr. Hawkins. It was passed unanimously.

Civil Service Lease-Discussion and Consideration

Motion – After a presentation by staff, and discussion by the Members, a motion was made by Mr. Hawkins, seconded by Mr. Muller, and unanimously carried that the Civil Service lease agreement be approved.

USDA/NASS

LAFA and USDA/NASS entered into a cooperative endeavor agreement to collect, analyze and publish various agricultural statistics. The agreement requires LAFA to furnish space in its building under a lease agreement, with USDA/NASS to compensate LAFA [Please verify this] for the space, staff, supplies, utilities [?] and equipment to accomplish the objectives of the cooperative endeavor agreement.. The costs incurred by LAFA for this fiscal year will be approximately \$70,000, and are expected to be approximately the same for the next fiscal year. Mr. Rogers is in the process of negotiating a new lease agreement with USDA and would like some indication from the Members of the parameters they expect for a new agreement.

Motion- Upon motion by Mr. Muller, seconded by Mr. Hawkins and unanimously carried, it was resolved that LAFA enter into a new lease agreement with USDA/NASS containing such terms and conditions as have been customarily included in the lease between the parties, updated to include revisions incorporated at the recommendation of legal counsel, and providing for payment to LAFA of rent and reimbursement of

expenses, estimated to be approximately \$70,000 for the fiscal year ended June 30, 2010. Further resolved, that should USDA/NASS not agree to these terms that the matter be brought back to the Authority for its consideration.

Department of Environmental Quality-Discussion and Consideration

DEQ has expressed an interest in leasing office space and warehouse space from us in various parts of the State. It is also interested in buying fuel from LAFA. LAFA can offer DEQ the office and warehouse space for 15% less than what it is paying now. LAFA can help DEQ to some extent with its budgetary problems, while at the same time DEQ can help LAFA by leasing facilities that LAFA is not using. LAFA has proposed a rent of approximately \$10-\$12 a square foot, with DEQ paying its own utilities.

Motion: A motion was made by Mr. Graugnard, seconded by Mr. Parker, and unanimously carried that LAFA enter into a lease agreement with DEQ, such lease to contain the terms and conditions presented to the Members, and to include such other terms and conditions as are generally contained in a lease of this nature and character.

STATE MARKET UPDATE

The State Market Commission (SMC) is one of the entities of LAFA. The State Market Commission (SMC) has not met since 2007. It has a variety of duties, including the guarantee of loans and the power to own/acquire property. The SMC has very broad authority and responsibility. It affects everything from tomatoes, to crops, to finances. Commissioner Strain explained that in order to make the department more efficient, he proposed terminating the SMC and assigning its functions to other sections of the Department; such as moving egg matters into the egg division, tomatoes matters into the fruit and vegetable division, and so on. This will be presented to the legislature for its consideration, with the request that it dissolve the SMC Board. Commissioner Strain indicated that as part of this reorganization that he would like LAFA to take over the financial portion of the SMC.

Mr. Muller asked whether the SMC has debt and would LAFA be asked to acquire the debt obligation of SMC. Commissioner Strain explained that SMC does have several bond issues still outstanding. However, the money to pay debt service on these bonds would not come from LAFA funds, but from Department funds. LAFA will not have any liability for SMC debt.

Motion: Upon motion by Mr. Muller, seconded by Mr. Gauthier, and unanimously carried, it was resolved that as part of the proposed reorganization of the State Market Commission, LAFA agrees to accept the financial authority and responsibility of the SMC; provided however, that LAFA shall have no responsibility or liability for the payment of principal and interest, penalties and fees on, or satisfying any other obligation of any bonds issued by the SMC that were authorized and issued by SMC on the date the financial authority and responsibility of the SMC have been transferred to LAFA.

LSU Ag Chemistry Building

Commissioner Strain then presented to the Members for their consideration a proposed agreement for the early transfer back to LSU of the Ag Chemistry building constructed in the 1990's by LAFA with its funds, on property owned by LSU. According to the original agreement with LSU, the building will automatically transfer to LSU in seven years. There is quite a bit of unfinished space in the building and a considerable amount of delayed maintenance and repairs that need to be done. In return for the early transfer to LSU, LSU will build out the space for Department use, rent-free. LSU will also assume responsibility for maintaining the building.

Motion: A motion was made by Mr. Graunard that LAFA enter into an agreement with LSU providing for the immediate turn-over of the Ag Chemistry Building on LSU's campus to LSU in consideration of LSU building-out, at its expense, space for use by the Department of Agriculture, furnishing the space to the Department rent free for not less than 7 years, and LSU assuming all responsibility and liability for repair and maintenance of the building. The motion was seconded by Mr. Allain, and unanimously carried.

LAKE CHARLES-CANE LACASSINE MILL, LCC UPDATE

Commissioner Strain introduced Randal Johnson, Daniel Lichtl and Alejandro Santacoloma representing Lake Charles-Cane, LLC. He invited them to the meeting in order to update the Members on the project. The Commissioner stated that these gentlemen have been working very hard to keep this project going and have a good working relationship with the Department.

Randal Johnson, who is employed by Southern Strategy Group, gave a brief history and update of the mill. Mr. Johnson stated that the Lacassine project is located on land owned by LAFA called Lacassine Industrial Park. In late 2006, Louisiana Green Fuels acquired the syrup diffuser facility which was constructed significantly by LADF employees. At the time of purchase, the facility was very near completion. The facility is now under construction and the owners are involved in a number of agriculture activities. At this point, there are a few investors who are interested in investing in the facility and the owners are now interviewing in hopes that they will be able to complete the facility. On completion, it would be North America's first sucrose to ethanol facility.

Mr. Muller asked Mr. Santacoloma where they saw themselves down the road in the next few years; if perhaps, the owners were ready to give up on the project, or did they feel that they could complete and run a successful facility. Mr. Santacoloma replied that his plan was to stay and finish what was started. The Santacoloma family has considerable assets in Louisiana and this project is going forward. There are numerous investors interested; it is just a matter of time to find the right one. The agriculture part will continue. The owners will just not run the syrup diffuser at this time which will give them more time to finish construction.

The Members asked numerous questions regarding future plans of Lake Charles-Cane. The Commissioner stated that while the group is looking for an investor, they have come to the board with requests which the owners believe would help them in the short term.

The requests are as follows:

1. Defer interest payment in the amount of One Hundred Thousand Dollars (\$100,000.00) which is due December 31, 2009 to be split into two payments over the next two years, with interest. [Please verify that this is correct] [Or is it “to be paid together with the current interest payment?]
2. Waive the lease payment for the five acres and office building rental in the amount of Thirty Thousand Eight Hundred Fifty Five Dollars (\$30,855.00) for the period April 1, 2009-March 30, 2010. The rent is Two Thousand Five Hundred Seventy One Dollars and Twenty Five (\$2,571.25) per month.
3. Waive the user fee charged LLC for maintenance of the grounds at Five Hundred Dollars (\$500.00) per acre which is Twenty Nine Thousand Five Hundred Dollars (\$29,500.00) per year and in return for the waiver of the user fee, LLC would perform all of the maintenance on the grounds for the whole park.

(Under the present arrangement, each tenant is charged Five Hundred Dollars (\$500.00) per acre per year for maintenance of the ground, which includes mowing the grass, grading the limestone road, keeping the fence line clean, supplying electricity to the scale house, etc.)Mr. Muller asked if LLC carried liability insurance protecting LAFA and the tenants in case of mishap while LLC performed this maintenance work. Mr. Santacoloma assured the Members that LLC did.

4. Waive the penalty for non-operation of the syrup mill for the year 2009 in the amount of One Hundred Forty Seven Thousand Five Hundred Dollars (\$147,500.00). (This amount is calculated by multiplying Two Thousand Five Hundred Dollars (\$2,500) per acre times Fifty Nine (59) acres.)

There followed a discussion regarding the various requests made by LLC, including the following:

-Mr. Montgomery stated that the agreement is written as such that if the mill does not operate during any given year that a non-operation penalty would be imposed for that year.

-Mr. Montgomery also stated that he felt that the agreement should be re-written so that there would be no question as to its meaning in the future. The agreement is not being questioned at this time, but because of certain non-specific language it possibly could be.

-Mr. Allain stated that since the cane would be shipped and ground elsewhere, wouldn't there be a danger of spreading the rice borer if their cane was infested. Commissioner Strain stated that the Department had the authority to quarantine the shipment of the cane if need be.

Motion: A motion was made by Mr. Hawkins to waive the non-operating penalty in the amount of One Hundred Forty Seven Thousand Five Hundred Dollars (\$147,500.00). It was seconded by Mr. Muller and passed unanimously.

Motion: A motion was made Mr. Muller to waive the user fee for maintenance in the amount of Twenty Nine Thousand Five Hundred Dollars (\$29,500.00) in consideration of LLC maintaining at its expense the entire industrial park facility to the satisfaction of LAFA. Further, should LLC not perform the maintenance obligation to the satisfaction of LAFA, then this waiver will be void from its beginning and LLC will be required to immediately pay the full amount of the user fee (\$29,500.00). It was seconded by Mr. Allain and passed unanimously.

-After much discussion regarding waiving the rent for the entire year it was decided to waive the rent until the end of 2009 with a stipulation.

Motion: A motion was made by Mr. Hawkins to waive the lease payment for the five (5) acres and office building in the amount of Twenty Three Thousand One Hundred Forty One Dollars and Twenty Five (\$23,141.25) from April 1, 2009 to December 2009 with the understanding that if an investor is found before December 31, 2009, this rent will be paid in full. It was seconded by Mr. Muller and passed unanimously.

A discussion then followed regarding the request by LLC to defer payment of the \$100,000 interest payment due December 31, 2009. Mr. Muller was opposed to deferring this payment. The Members noted that if LLC could not, or chose not to pay the One Hundred Thousand Dollars (\$100,000.00) by December 31, 2009; it probably will not have succeeded in attracting an investor. It is better to have this flushed-out earlier, rather than later. After much discussion, it was decided to table this waiver request until the next board meeting.

- **Motion:** A motion was made by Mr. Allain to table LLC's request to defer the One Hundred Thousand Dollars (\$100,000.00) payment due December 31, 2009 until the next meeting. It was seconded by Mr. Parker and passed unanimously.

-Mr. Montgomery suggested that the Authority make a condition of all waivers and concessions that LLC make all payments on all loans that are guaranteed by LAFA or SMC timely and in the full amount then due.

Motion: A motion was made by Mr. Hawkins that these concessions are contingent upon Lake Charles-Cane, LLC making all payments on all loans guaranteed by LAFA or SMC timely and in the full amount due. This was seconded by Mr. Graugnard and passed unanimously.

Ratification of Construction of Indian Creek

The Department, through the Office of Forestry owns and operates a recreation district called Indian Creek Recreation District. Immediate repairs are required to avoid electrical and other life safety problems. The Fire Marshal found the electrical boxes were not ground-faulted and shut down the facility. Because of Department budgetary constraints, Commissioner Strain requested that LAFA pay for the repairs under a formal loan

agreement with the Office of Forestry, providing for repayment to LAFA on a periodic basis.. The Park makes about Two Thousand (\$2,000.00) per day in rental fees when up and running and will be able to re- pay LAFA the money borrowed from these revenues. The Office of Forestry asked LAFA for Fifty Thousand Dollars (\$50,000.00) to make renovations to the Park in order to keep it open to the public. The cost was Thirty Two Thousand Dollars (\$32,000.00.)

Motion: A motion was made by Mr. Graugnard for LAFA to enter into a cooperative endeavor agreement with the Office of Forestry to fund renovations for Indian Creek up to Fifty Thousand Dollars (\$50,000). It was seconded by Mr. Parker and passed unanimously.

PUBLIC COMMENTS

There was none.

BYLAWS

Mr. Muller requested the opportunity to address the Members regarding the need for bylaws. Commissioner Strain asked whether LAFA had ever adopted bylaws and was advised that it had not. Commissioner Strain requested that Mr. Muller assist in the preparation of bylaws.

ADJOURNMENT

The meeting was adjourned by Commissioner Strain at 1:26 pm.

Respectfully Submitted,

Richard Muller, Secretary
Louisiana Agricultural Financial Authority